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SUBJECT: BANGLADESH CELEBRATES FIRST ANNIVERSARY OF
RESTORED DEMOCRACY

Classified By: Ambassador James F. Moriarty. Reasons 1.4 (B) and (D)

Summary
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¶1. (C) After sweeping into power in a landslide victory in December 2008, Bangladesh's Awami League Government overcame a number of challenges during its first year in office, most critically the February 2009 Bangladesh Rifles Mutiny. Public opinion polls show the Government retains much of its support. Prime Minister Sheikh Hasina's gamble in appointing relatively inexperienced Ministers largely paid off, allowing her to consolidate her position and run a relatively corruption-free Cabinet. The Government delivered on its campaign promises to crack down on extremism and improve Bangladesh's international position in the region and globally. Bangladesh's economy escaped the worst effects of the global economic slowdown and remained positioned for higher growth levels in the coming years. At the same time, the Government and opposition parties stood at loggerheads. Promises of improved governance building on reforms instituted by the Caretaker Regime remain largely unfulfilled. The coming year presents opportunities for the United States to strengthen its partnership with Bangladesh, in particular as we seek to advance our global agenda on food security, global climate change, and engagement with the Muslim world.

Government Remains Popular at One-Year Mark
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¶2. (C) For Bangladesh's Prime Minister Sheikh Hasina and the ruling Awami League, 2009 ended on a high note, with the Supreme Court upholding the death sentences of those convicted of assassinating President Sheikh Mujibur Rahman (Hasina's father) in August 1975. At the same time, polls showed that Hasina's government had retained much of the support which had led to the party's landslide victory in the December 2008 elections that brought to an end two years of emergency rule. As 2009 ended, Hasina prepared for her historic visit to India, which she hoped would transform relations between Bangladesh and its large neighbor. After the challenges that faced Hasina early in her tenure, most notably the bloody Bangladesh Rifles Mutiny in February 2009, she could take satisfaction with how the year ended. For her part, Hasina trumpeted her government's successes when she addressed the nation on January 6 to mark her one year anniversary in power.

Hasina Consolidates Power
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¶3. (C) Upon returning to office in January 2009, Hasina's first priority had been to consolidate her power--first

within the government and then within her party. Hasina gambled in choosing a Cabinet short on experience but long on loyalty, elevating trusted lieutenants like Foreign Minister Dipu Moni to senior positions. Prior to her election, Hasina told us she planned to induct a new generation of clean politicians into government, and she followed through when choosing her team. While some of the new Cabinet Members (notably Home Affairs Minister Sahara Khatun) faced criticism throughout the year, for the most part the Ministers have stayed out of trouble. Most importantly for Hasina, none have been involved in any major corruption scandals--a clear difference from past governments. At the same time, the Prime Minister's Office moved quickly to replace senior civil servants and military officers suspected of pro-opposition sentiments. In July, Hasina completed her consolidation of power through an Awami League Council Meeting that sidelined the leaders of the party's "reformist" faction. Hasina ended the year the undisputed leader of her party and the nation.

Government Committed to Fighting Extremism

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¶4. (C) In many ways, the most significant achievement of the Government's first year in office has been its success in fighting extremism. From the beginning, Hasina and her inner circle have stressed their determination to confront domestic and transnational terrorist groups who they believe were behind attacks against the Awami League during the 2001-2006 Four Party Alliance government. The Government has also realized that security threats represent India's primary interest in Bangladesh and that meaningful steps against the insurgent and terrorist groups would be a pre-requisite for

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closer ties with New Delhi. The United States and Bangladesh worked closely throughout the year in fighting terrorism and developing programs to deny space to violent extremists. As a result, both domestic and transnational insurgents and terrorist groups were on the run at year's end.

Bangladesh Regains Place in International Arena

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¶5. (C) During their first year in office, Prime Minister Hasina and Foreign Minister Moni have spent a significant amount of time traveling abroad to burnish Bangladesh's reputation as a leader in the developing world. The pace of foreign travel picked up during the second half of 2009, with the Prime Minister traveling to the UN General Assembly, the Rome Food Summit, the Commonwealth Heads of Government Meeting, and the Copenhagen Climate Change Summit. Given Bangladesh's equities, the Prime Minister played a prominent role at several of these international meetings. For her part, Foreign Minister Moni kept up a grueling schedule of bilateral and multilateral visits, including a successful visit to Washington in September 2009. Throughout, the Awami League has sought to follow a policy of "friendship to all," which was proclaimed in the Foreign Minister's inaugural comments on Bangladesh's foreign policy. The final months of 2009 were dominated by preparations for the Prime Minister's much anticipated visit to India, where the government sought to translate historically close ties with the Congress Party into concrete foreign policy successes.

Economy Weathers Global Storms

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¶6. (C) When the government took office in January 2009, there was a great deal of concern about the potential impact of the global economic crisis on Bangladesh, in particular, the possible effects of slowdowns in exports or remittances. Throughout the year, Bangladesh's economy proved resilient, with both exports and remittances maintaining their strength and with growth forecast at a respectable 5 percent. In June, the government tabled an ambitious budget, which expanded development spending and introduced an innovative

public-private partnership program to jump-start investment in infrastructure. As in the past, half way through the fiscal year spending on development lagged far behind anticipated levels. While some of the blame has been laid at the feet of inexperienced Ministers, low disbursement levels reflect more chronic weaknesses in the public sector. Where the Government can be blamed, however, has been its slow pace in approving potential investments in the energy and infrastructure sectors. Foreign investors, including US companies, continue to complain about glacial decision making. Even the Government's supporters realize it needs to improve in these areas in the coming years. That said, heading into 2010 the government's main concern is a return of inflation, particularly in the food sector.

Governance and Political Reform Stymied =====

¶7. (C) To a great extent, the 2007 - 2008 Caretaker Government's primary focus was on improving governance and moving Bangladesh's politics away from the winner-take-all approach that had pushed the country to the brink in late 2006. Towards that end, the Caretaker Government pushed through reforms to the electoral system, pressed parties to reform, and attempted to decentralize the administration by empowering sub-district (county) level government. During the campaign, politicians from all parties pledged to make Parliament effective and improve governance, responding to a widely held demand from civil society.

¶8. (C) Almost from the beginning, however, both sides began to back track from their pre-election pledges. The opposition BNP, initially stung by their election debacle, remained outside Parliament for most of the year. While the initial excuse for a Parliamentary boycott involved seating in the Assembly, by year's end the opposition had announced a list of 10 demands before they would return. For its part, the ruling party members of Parliament watered down a number of Caretaker reforms, including those on local government. While the Parliamentary Committees were formed and have been active, on a whole Parliament has been a disappointment. In December, the opposition Bangladesh Nationalist Party held its Council Meeting, which adopted a new Constitution and returned Opposition Leader Begum Khaleda Zia's notorious son

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Tarique Rahman to prominence, as the number 2 in the party. As 2010 dawns, hard-liners in the opposition have increased their calls for the opposition to take its case to the streets. For its part, the Jamaat Islami is under siege as it faces a possible ban on religious political parties and the threat of war crimes trials of its senior leadership.

Civil Military Relations Remain Tense =====

¶9. (C) Traditional distrust between the Awami League and the Bangladesh military flared into the open in the aftermath of the February 2009 Bangladesh Rifles mutiny. Officers who openly expressed their dissatisfaction with the government's response to the mutiny saw a number of their fellow officers prematurely retired from service. An attempted assassination of Awami League Parliamentarian (and Hasina relative) Barrister Fazle Noor Taposh served as a reminder of the potential for this civil-military conflict to turn violent. Hasina and her advisors have been careful not to provoke an open conflict with the military even as they have sought to ensure that loyalists occupied key senior positions. Concern about lingering dissatisfaction colors the government's conduct of the trials of those accused in the BDR mutiny. At present, we see no indication that the military may intervene extra-constitutionally to cut short the government's tenure. Looking ahead, however, both the government and opposition assume that the military could return to its arbiter role if political confrontation erupts.

Comment: Opportunities for U.S.

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¶10. (C) As 2010 dawns, we see tremendous opportunities to advance key U.S. objectives in Bangladesh. The Awami League government, led by the Prime Minister, continues to recall the important role played by the U.S. in ensuring free and fair elections in December 2008. The United States remains the partner of choice for Bangladesh in a number of areas, from development to security cooperation. Moreover, Bangladesh and the United States have coinciding interests in a number of important global areas, including climate change, food security, health, and peacekeeping. The coming year presents us with opportunities to reap the returns on the investments that we have made in the development of Bangladesh's restored democracy. Beginning with SCA PDAS Moon's visit in late January, and continuing in the following months, we will seek opportunities to further advance the bilateral and global agenda.

MORIARTY